

JAMES H. "JIM" BROWN  
COMMISSIONER OF INSURANCE  
STATE OF LOUISIANA

DIRECTIVE 135

DECEMBER 15, 1995

P.O. Box 34214  
BATON ROUGE, LOUISIANA 70824-0214  
504-342-5970

USE OF DISCOUNTS AND CREDITS BY GROUP  
SELF-INSURANCE FUNDS FOR WORKERS' COMPENSATION

IT HAS COME TO MY ATTENTION THAT A CLARIFICATION OF THE USE OF DISCOUNTS AND CREDITS BY GROUP SELF-INSURANCE FUNDS FOR WORKERS' COMPENSATION IS NEEDED.

THIS INVOLVES THE PROPER INTERPRETATION OF LOUISIANA REVISED STATUTES TITLE 23, SECTION 1196(A)(6), WHICH PROVIDES AS FOLLOWS:

- "A. EACH FUND ESTABLISHED PURSUANT TO R.S. 23:1195 SHALL:
- (6) NOT PERMIT ADVANCE PREMIUM DISCOUNTS TO ANY MEMBER IN EXCESS OF FIFTEEN PERCENT OF THE GROSS PREMIUM OF THE MEMBER, CALCULATED IN ACCORDANCE WITH THE APPLICABLE MANUAL PREMIUM RATE OR RATES APPROVED BY THE DEPARTMENT, PLUS OR MINUS APPLICABLE NATIONAL COUNCIL ON COMPENSATION INSURANCE EXPERIENCE DEBITS OR OTHER EXPERIENCE DEBITS OR CREDITS APPROVED BY THE DEPARTMENT."

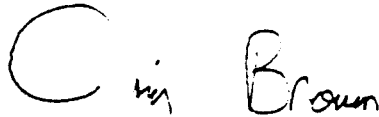
FOR THE PURPOSES OF THIS DIRECTIVE, THE FOLLOWING TERMS SHALL HAVE THE FOLLOWING DEFINITIONS:

- 1) GROSS PREMIUM - PREMIUM DETERMINED BY MULTIPLYING THE PAYROLL (SEGREGATED INTO THE PROPER WORKERS' COMPENSATION JOB CLASSIFICATIONS) TIMES THE MANUAL PREMIUM RATES APPROVED BY THE COMMISSIONER.
- 2) MANUAL PREMIUM RATES - WORKERS' COMPENSATION RATES BY JOB CLASSIFICATION SET FORTH BY THE NATIONAL COUNCIL ON COMPENSATION INSURANCE OR RATES BY JOB CLASSIFICATION CALCULATED BY A QUALIFIED ACTUARY BASED UPON ADEQUATE LOSS HISTORIES OF THE FUND WHICH ARE FILED WITH AND APPROVED BY THE COMMISSIONER.
- 3) STANDARD PREMIUM - GROSS PREMIUM PLUS OR MINUS APPLICABLE EXPERIENCE DEBITS OR CREDITS.

- 4) EXPERIENCE DEBITS OR CREDITS - NATIONAL COUNCIL ON COMPENSATION INSURANCE EXPERIENCE DEBITS OR OTHER EXPERIENCE DEBITS OR CREDITS APPROVED BY THE DEPARTMENT, INCLUDING SCHEDULE DEBITS AND CREDITS BASED ON EXPERIENCE.
- 5) NORMAL PREMIUM - STANDARD PREMIUM LESS ALLOWED DISCOUNT.

THEREFORE, I HEREBY ORDER AND DIRECT THAT PREMIUM DISCOUNTS SHALL BE CALCULATED AS FOLLOWS:

- 1) THE GROSS PREMIUM SHALL BE DETERMINED FIRST.
- 2) NEXT, THE STANDARD PREMIUM SHALL BE DETERMINED.
- 3) THE ADVANCE PREMIUM DISCOUNT FOR A MEMBER SHALL NOT EXCEED FIFTEEN PERCENT OF THE STANDARD PREMIUM.
- 4) IN ACCORDANCE WITH LOUISIANA REVISED STATUTES TITLE 23, SECTION 1199, RATES MUST BE FILED ON AN ACTUARIALLY JUSTIFIED CLASS CODE BASIS WITH THE DEPARTMENT. A FUND MAY USE THE RATES NINETY DAYS AFTER FILING, IN ACCORDANCE WITH FILING PROCEDURES OF THE LOUISIANA INSURANCE RATING COMMISSION, UNLESS THE DEPARTMENT DISAPPROVES THE USE OF THE RATES WITHIN THE NINETY DAY PERIOD.



---

JAMES H. "JIM" BROWN  
COMMISSIONER OF INSURANCE